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INTERIM REPORT OF THE SECRETARY-GENERAL ON THE IMPLEMENTATION OF SECURITY COUNCIL RESOLUTION 986 (1995)

I. INTRODUCTION

1. The present interim report is submitted to the Security Council pursuant to paragraph 13 of resolution 986 (1995), by which the Council requested the Secretary-General to take the actions necessary to ensure the effective implementation of that resolution, authorized him to enter into any necessary arrangements or agreements, and requested him to report to the Council when he had done so. The actions for which the resolution gives the Security Council responsibility relate to four functions authorized by the Council, namely: (a) the sale of Iraqi petroleum and petroleum products; (b) the purchase, confirmation of arrival in Iraq, and equitable distribution of medicine, health supplies, foodstuffs and materials and supplies for essential civilian needs of the Iraqi people (hereinafter "humanitarian supplies"); (c) reporting on the equitable distribution and adequacy of the humanitarian supplies; and (d) the establishment of an escrow account. These are dealt with in sections II to V below.

2. Pursuant to paragraph 13 of resolution 986 (1995), I began consultations with the Government of Iraq and informed the Council of them through a letter to the President on 1 June 1995 (S/1995/495). In further consultations, I obtained the agreement of the Government of Iraq to conduct formal negotiations on the implementation of resolution 986 (1995). Subsequently, I requested the Legal Counsel to lead the talks with the Government of Iraq. These resulted in the conclusion on 20 May 1996 of a memorandum of understanding between the Secretariat of the United Nations and the Government of Iraq (see S/1996/356). In the letter with which I forwarded the memorandum of understanding to the President of the Security Council, I expressed the view that it represented an important step in the arrangements required to bring resolution 986 (1995) fully into effect. In a letter dated 23 May 1996 (S/1996/365) the President of the Security Council informed me that the members welcomed the conclusion of the memorandum of understanding and extended their congratulations on that achievement.

3. To sustain the momentum generated by the signing of the memorandum of understanding, and with a view to expediting and consolidating actions required on the part of the Secretariat, I established a high-level Steering Committee on the Implementation of Security Council Resolution 986 (1995). The Steering Committee, which is chaired by my Senior Adviser, Under-Secretary-General Chinmaya Gharekhan, oversees steps taken in preparation for implementation of the resolution, maintains liaison with representatives of the Government of Iraq, and advises me on developments in this regard.

4. On 22 May 1996, the Secretariat submitted for the consideration of the Security Council Committee established by resolution 661 (1990) a draft text of expedited procedures in accordance with paragraph 12 of resolution 986 (1995), in which the Council requested the Committee, in close coordination with the Secretary-General, to develop expedited procedures as necessary to implement the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of the resolution. The Committee adopted the expedited procedures on 8 August 1996. I thereupon transmitted the text of the procedures, at the request of the Committee, to all Member States for their information and use as necessary.

5. While the consultations of the Committee on the draft procedures were under way, I dispatched to Iraq in June 1996 a technical reconnaissance mission comprising senior members of the Secretariat, together with petroleum and customs experts, in order to prepare for the speedy implementation of paragraphs 6 and 8 (a) (iii) of Security Council resolution 986 (1995), which deal respectively with the monitoring of the export of petroleum and petroleum products by Iraq and with the confirmation of the arrival of humanitarian supplies in Iraq.

6. The mission inspected the metering station on the Kirkuk-Yumurtalik pipeline at the border between Iraq and Turkey and Iraqi oil installations at Mina al-Bakr; ascertained the number of independent inspection agents required to monitor those installations; consulted with the Iraqi authorities on the number and location of entry points and other locations at which independent inspection agents would be stationed in order to confirm the arrival of the goods to be funded from the Iraqi escrow account; ascertained the number of independent inspection agents required for such confirmation; and discussed with the Iraqi authorities related logistical arrangements.

7. The mission received the full cooperation of the Iraqi authorities and was able to visit all facilities that it wished to inspect.

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

8. In accordance with paragraph 1 of its procedures, the Committee established by resolution 661 (1990), in the performance of its duties, is to be assisted at Headquarters by United Nations independent experts in international oil trade, to be selected by the Committee and appointed by me as "overseers". Following their selection by the Committee on 9 August 1996, I have appointed Bernard Cullet (France), Alexandre Kramar (Russian Federation), Maurice Lorenz (United States of America) and Arnstein Wigestrand (Norway) to serve as the overseers. Further overseers may be appointed if it becomes clear that there is

a requirement for them. Arrangements have also been made to ensure adequate support staff for the overseers.

9. In accordance with paragraph 6 of resolution 986 (1995) and paragraph 15 of the Committee's procedures, the Secretary-General is also to appoint independent inspection agents to monitor the sale of petroleum and petroleum products to be exported by Iraq via the Kirkuk-Yumurtalik pipeline through Turkey to the Ceyhan terminal and from the Mina al-Bakr oil terminal. On the basis of the assessment of the technical reconnaissance mission team described above, I have decided that a total of 14 inspectors will be required for monitoring purposes (4 at the Ceyhan terminal, 4 at the metering station on the Kirkuk-Yumurtalik pipeline at the border between Iraq and Turkey and 6 at the offshore Mina al-Bakr terminal). Accordingly, contractual arrangements have been made with Saybolt Nederland BV to provide 14 oil inspection agents in order to ensure the monitoring of those oil installations. In accordance with the memorandum of understanding, these agents shall enjoy the privileges and immunities of experts on mission.

10. From 22 October to 3 November 1996 an advance team from Saybolt visited Iraq in order to test the reliability of the metering equipment at the pipeline metering station near Zakho, at the border between Iraq and Turkey, and at the Mina al-Bakr offshore oil terminal. Saybolt's logistical requirements in anticipation of the deployment of the oil inspection agents were also discussed. The advance team received full cooperation and support from the respective authorities.

11. With respect to the Mina al-Bakr terminal, the advance team determined that the export of oil could commence immediately subject to the on-site availability of adequate laboratory facilities. As for the metering station near Zakho, the team recommended a number of technical steps that needed to be taken in order to bring the metering systems up to acceptable standards. They specified the spare parts needed for the proposed repairs to the metering systems and offered to assist the Iraqi authorities in procuring and calibrating such equipment. Subsequently, the Secretariat was informed by the Permanent Mission of Iraq that the required spare parts had been located and that work was under way to upgrade, within a short period of time, the relevant installations in a way that would meet the requirements specified by Saybolt. I have requested Saybolt to undertake another technical mission to Iraq as soon as the Iraqi authorities confirm completion of the repair work.

12. On 17 November 1996, pricing mechanisms for loadings in December 1996 were submitted by the State Oil Marketing Organization of Iraq for the approval of the Committee.

13. In accordance with the procedures of the Committee, the pricing mechanisms have been sent to the overseers for their analysis and recommendations to the Committee. On receipt of these recommendations, the Committee will review the pricing mechanisms under its no-objection procedure.

III. PURCHASE, CONFIRMATION OF ARRIVAL IN IRAQ AND EQUITABLE DISTRIBUTION OF HUMANITARIAN SUPPLIES

Distribution plan

14. On 15 July 1996 the Government of Iraq submitted to me its distribution plan for the purchase and distribution of humanitarian supplies in accordance with paragraph 8 (a) (ii) of resolution 986 (1995). On 18 July the Government of Iraq was informed that I had approved its plan subject to the condition that its implementation would be governed by resolution 986 (1995) and the memorandum of understanding and would be without prejudice to the procedures employed by the Committee established by resolution 661 (1996). A copy of the categorized list of supplies and goods that accompanied the Government of Iraq's distribution plan has been made available to the Committee in accordance with paragraph 10 of the memorandum of understanding. The list was scrutinized by experts of the United Nations Special Commission who identified items that would be subject to notification by Iraq under the procedures adopted by resolution 1051 (1996), the export/import monitoring mechanism for Iraq. The list of items falling under this category has also been forwarded to the Committee. The distribution plan and the letter conveying my acceptance of it are attached to this report as annexes I and II.

15. In accordance with paragraph 16 of resolution 986 (1995), the distribution plan confirms the willingness of the Government of Iraq to cooperate fully in order to allow, as explained in paragraphs 36 to 44 of the memorandum of understanding, unrestricted freedom of movement and access to United Nations personnel working for the United Nations Inter-Agency Humanitarian Programme, in connection with the performance of their functions, in particular observation of the equitable distribution of humanitarian supplies imported under the plan. The distribution plan allocates funds, on a sectoral basis, for the purchase and distribution of only those humanitarian supplies which are needed urgently. It contains corresponding estimated financial allocations relating to each of the sectors identified in section VII of the memorandum of understanding as food items, medical supplies and equipment, water and sanitation supplies and equipment, and other materials and supplies, in particular those needed for the rehabilitation of infrastructures essential to meet humanitarian needs.

16. To address the urgent needs in the food sector, a total of $804.63 million is allocated for the purchase and distribution of appropriate quantities of food commodities over a six-month period. In addition, $101.38 million is allocated for the purchase of soap and detergents, which form part of Iraq's ration basket, and for spare parts and logistic requirements related to the processing and distribution of food. An allocation of $210 million is made for the provision of good quality drugs, vaccines and medical equipment, including that required for vector control, as well as ambulances. Another $15.40 million is allocated to meet health infrastructure and nutritional needs. The sum of $44.20 million is allocated to meet urgent needs in the sector of water and sanitation supplies and equipment. Other materials and supplies included in the distribution plan are those required for the rehabilitation of infrastructures in the electricity, agriculture and education sectors, as well as for energy- and demining-related activities; the plan allocates $145.07 million for the purchase and distribution of these supplies. The total allocated to the sectors

covered by the distribution plan would therefore amount to $1,320.68 million, of which $260 million is allocated to the three northern governorates. The estimated allocations by sector constitute indicative figures to give an order of magnitude of the intended use of resources. The actual amounts for humanitarian supplies will depend on market prices at the time of procurement.

17. The distribution of humanitarian supplies within the 15 governorates of central and southern Iraq will be undertaken by the Government of Iraq. For this purpose, the current food rationing system, which was introduced by the Government in 1990, will be employed. It provides for distribution to be effected through a decentralized network of food warehouses and distribution centres that supply rations to private retail stores, which in turn distribute monthly rations to households within their area. Transportation of these rations from warehouses to the retail stores is provided by the private sector and paid for by the Government. The warehouses are Government-owned and located throughout the 15 governorates.

The Programme in the Governorates of Dihouk, Arbil and Suleimaniyeh

18. In paragraph 8 (b) of its resolution 986 (1995), the Security Council stipulated that in view of the exceptional circumstances prevailing in the three northern Governorates of Dihouk, Arbil and Suleimaniyeh, $130 million-$150 million would be provided to the Programme from the escrow account every 90 days, except that if less than $1 billion worth of petroleum or petroleum products was sold during any 90-day period a proportionately smaller amount would be allocated for this purpose. This allocation is to enable the Programme to complement the distribution by the Government in central and southern Iraq of goods imported under resolution 986 (1995), in order to ensure an equitable distribution of humanitarian supplies to all segments of the Iraqi population. In view of this stipulation and as elaborated in the memorandum of understanding, the distribution of humanitarian supplies within the three northern governorates is the responsibility of the Programme. The Programme will function under the authority of the Department of Humanitarian Affairs at United Nations Headquarters.

19. Accordingly, and as agreed in paragraph 2 of appendix I to the memorandum of understanding, the Programme undertook to identify the humanitarian requirements of the three northern governorates, taking into consideration all relevant circumstances there and in the rest of the country so as to ensure equitable distribution. This exercise was also conducted in close cooperation and consultation with the local authorities. The identified requirements, covering a six-month period and totalling $260 million, were discussed with the Government of Iraq. They have been duly incorporated into the distribution plan (for details see annex I).

20. Humanitarian supplies will be stored in warehouses located within these governorates. The Programme will supervise the transportation and other logistic arrangements related to the delivery of humanitarian supplies destined for distribution within the governorates. Should such supplies be delivered to warehouses in Mosul or Kirkuk, the Programme will use United Nations personnel to control and manage the warehouses and will arrange for the supplies to be transported to the three northern governorates. The Programme will use current

modalities and existing resources within the governorates for the distribution of humanitarian supplies.

Purchase of humanitarian supplies

21. I have taken steps to reinforce the team in the Secretariat in New York, which is responsible for the processing of applications for humanitarian supplies, in particular in the light of paragraph 33 of the expedited procedures of the Committee established by resolution 661 (1990).

22. The Programme will be responsible for the procurement of humanitarian supplies for the three northern governorates. Such procurement will be undertaken in accordance with paragraphs 3 and 4 of appendix I to the memorandum of understanding. In this regard, considerations pertaining to efficiency and cost-effectiveness will, as called for in paragraph 3 of that appendix, guide the discussions between the Programme and the Government of Iraq regarding the manner by which the bulk procurement of certain commodities will be undertaken. The process stipulated in that paragraph has been initiated.

Confirmation of the arrival of humanitarian supplies

23. The arrival in Iraq of humanitarian supplies funded from the escrow account will be confirmed by independent inspection agents appointed by me, in accordance with paragraph 8 (a) (iii) of resolution 986 (1995) and paragraph 36 of the procedures adopted by the Committee. On the basis of the assessment of the technical reconnaissance mission cited above, I have decided that a total of 32 independent inspection agents will be stationed at various sites in Iraq: 10 at the port of Umm Qasr, 11 at the Turkish border (Zakho/Faida), and 11 at the Jordanian border (Trebil). The independent inspection agents will keep the secretariat of the Committee and the Programme informed of the arrival of the humanitarian supplies and perform the functions required by paragraph 36 of the Committee's procedures.

24. Contractual arrangements have been made with Lloyd's Register Inspection Limited for the provision of the required number of independent inspection agents who, in accordance with the memorandum of understanding, shall enjoy the privileges and immunities of experts on mission. An advance team of technical experts from Lloyd's Register will proceed to Iraq shortly in order to inspect the designated entry points and discuss logistical requirements with the Iraqi authorities.

IV. REPORTING OBLIGATIONS

25. Mindful of the paramount importance that resolution 986 (1995) attaches to the equitable distribution of humanitarian supplies to all segments of the Iraqi population, I have appointed a humanitarian coordinator for the management of the Programme in Iraq. Mr. Gualtiero Fulcheri assumed his functions in August 1996 in Baghdad, where he and the United Nations Office of the Humanitarian Coordinator in Iraq (UNOHCI), will be based. He will be assisted by two Deputy Coordinators, located in Baghdad and Arbil, respectively. The Deputy Coordinator based in Arbil will be responsible for all United Nations

activities in the three northern governorates, including the work of two sub-offices of UNOHCI in Dihouk and Suleimaniyeh. He will also coordinate the work of programmes, funds and agencies of the United Nations system in the three northern governorates. The humanitarian operation in the north will be served by dedicated transport and communication units, as well as logistics units (stationary or mobile), which will be principally responsible for the confirmation of the arrival of goods and their quantification, storage and warehousing. Related administrative and support services will be provided by the sub-offices of UNOHCI in Dihouk, Arbil and Suleimaniyeh.

26. The Department of Humanitarian Affairs has established an observation and reporting mechanism that will assist me in carrying out my reporting obligations under paragraph 11 of resolution 986 (1995), in particular on whether Iraq has ensured the equitable distribution of humanitarian supplies and on the adequacy of revenues to meet Iraq's humanitarian needs. The system will comprise three distinct but interrelated mechanisms: a geographical observation unit, a sectoral observation unit and a multidisciplinary observation unit. This system will ensure that the monitoring of equitable distribution of humanitarian supplies is undertaken on a governorate-by-governorate basis as well as by sector or activity.

27. The observation and reporting mechanism is also designed to evaluate the humanitarian situation in Iraq, including trends or sudden changes in the supply of and demand for humanitarian goods throughout the country. Observation and reporting will be carried out on the basis of the sectors identified in section VII of the memorandum of understanding, namely food, medical supplies and equipment, water and sanitation, and other materials and supplies. The memorandum recognizes that the criteria for determining "equitable distribution" will vary from sector to sector. Although these variations in criteria will be reflected in the specific procedures and operational arrangements for observation within sectors, in accordance with section VII of the memorandum, the following tasks will be common to all sectors:

(a) Cross-checking of arriving humanitarian supplies with those confirmed by the independent inspection agents at the entry points;

(b) Analysis of data from various sources, including relevant ministries of the Government of Iraq and programmes, funds and agencies of the United Nations system;

(c) Interviews with end users, which will include households and distribution agents;

(d) Random surveys (employing various sampling techniques), spot checks and, when appropriate, market surveys.

28. The findings of all United Nations geographical and sectoral observers will be collated, analysed and integrated by the multidisciplinary observation unit, which will include experts in the areas of agricultural inputs and machinery, plant protection, animal health, food logistics, public health, pharmaceuticals, hospital equipment, water and sanitation, education and electricity. Guidelines and standards to ensure effective observation and analysis of the distribution

of humanitarian supplies will be established by the unit, which will report its analyses, conclusions and recommendations directly to the Department of Humanitarian Affairs in New York, as well as to the Humanitarian Coordinator who will, as necessary, communicate to the Department his own observations and those of other United Nations bodies in Iraq.

29. The multidisciplinary observation unit will be based in Baghdad, and will comprise 13 international staff. Sixty-three international staff members will be devoted to observation and reporting on a governorate-by-governorate basis (geographical observation). Furthermore, each United Nations programme, fund and agency participating in the Programme will have its own complement of international staff to observe and report on the sector for which it is responsible. They will work closely with the Humanitarian Coordinator in providing regular assessments of the equitability of distribution and adequacy of supplies in their respective sectors. The international staff responsible for sectoral observation will total 75. In addition to these 151 observation and reporting personnel based in Iraq, a team of up to 8 staff within the Department of Humanitarian Affairs at Headquarters will be assigned exclusively to the observation function.

30. Paragraph 42 of the memorandum of understanding specifies that the exact number of observation personnel will be determined by the United Nations, and that the Government of Iraq will be consulted in this regard. In accordance with that paragraph, and on the basis of careful assessment in the field, I have determined that 151 observers based in Iraq would be essential for the United Nations to carry out effectively its observation and reporting requirements. This number will be adjusted as warranted by experience.

V. THE ESCROW ACCOUNT

31. In paragraph 7 of its resolution 986 (1995) the Security Council requested me to establish an escrow account, into which all proceeds of oil sales would be paid and from which all payments for the purposes specified in the resolution would be made.

32. In order to select a bank to be the holder of the escrow account, a working list was prepared of major banks in all parts of the world with the necessary credit quality ratings, strong capital positions and the capabilities to provide the services necessary for the account. After consultations with the Government of Iraq, a small number of those banks were asked to submit written proposals outlining their services and pricing. After careful consideration of the proposals received, Banque nationale de Paris was selected as the holder of the escrow account; the account has been opened at the bank's branch in New York.

33. As provided for in the memorandum of understanding, the United Nations Iraq account will be audited by the Board of Auditors, who are independent external public auditors. The Board will prepare periodic audit reports on the financial statements every six months. These reports will be submitted to me for forwarding to the Committee established by resolution 661 (1990) and the Government of Iraq.

VI. FINANCIAL IMPLICATIONS

34. Proceeds of oil sales amounting to $2 billion will be allocated as shown in annex III to this report. The procedure for allocating oil sale proceeds will involve an immediate division of each amount received from those proceeds as follows (the references are to paragraphs of resolution 986 (1995)):

(a) Approximately 53 per cent will remain in the escrow account to provide funds for humanitarian purchases, as specified in paragraph 8 (a) and for any other expenditures approved by the Committee as being reasonable and necessary for the sale of oil, as specified in paragraphs 8 (f) and 9;

(b) Approximately 13 per cent will be set aside in a separate account established for the purchase of humanitarian goods to be provided by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b);

(c) Thirty per cent will be transferred directly to the United Nations Compensation Fund, as specified in paragraph 8 (c);

(d) Approximately 2.2 per cent will be set aside for the various operational and administrative costs to the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d). Should this estimate prove to be inadequate, appropriate reductions will be effected within the allocations mentioned in paragraph 16 above;

(e) Approximately 0.8 per cent will be transferred to a special account to meet the current operating costs of the United Nations Special Commission, as specified in paragraph 8 (e);

(f) One per cent will be transferred directly to the escrow account established under resolutions 706 (1991) and 712 (1991) for the payments envisaged under paragraph 6 of resolution 778 (1992), as specified in paragraph 8 (g).

35. The various operational and administrative costs referred to in paragraph 34 (d) above are estimated at $44.3 million for a six-month period, including distribution and in-country monitoring of humanitarian goods ($30,800,000), banking-related charges for the Iraq account ($4,000,000), auditing ($46,200), oil and customs inspection ($6,405,000), independent oil experts assisting the Committee ($469,200) and all other administrative costs ($2,622,600).

VII. OBSERVATIONS

36. Out of concern for the serious nutritional and health situation of the Iraqi population and the risk of its further deterioration, the Security Council adopted resolution 986 (1995) as a temporary measure to provide for the population's humanitarian needs until there is full compliance by Iraq with the relevant Council resolutions, including notably resolution 687 (1991). From the outset, I have been committed to an early and comprehensive implementation of the resolution and am pleased to be able to report that significant progress has

been achieved since I transmitted to the President of the Security Council on 20 May 1996 the text of the memorandum of understanding between the Secretariat and the Government of Iraq.

37. Most of the arrangements required to bring resolution 986 (1995) into effect are today in place: the oil overseers have been appointed; contracts have been signed with firms which will supply independent inspection agents to monitor the export of oil from and confirm the arrival of humanitarian supplies in Iraq; the distribution plan has been finalized and approved; a Humanitarian Coordinator has been appointed and an observation and reporting mechanism prepared to ensure the equitable distribution of humanitarian supplies inside Iraq; and the escrow account has been opened. These steps have been taken after consultation with the Iraqi authorities, without whose full cooperation effective implementation of resolution 986 (1995) will not be possible.

38. Over the past two months, the Government of Iraq has, however, raised several new issues. It has requested "assurances" that nothing will disrupt the implementation of resolution 986 (1995) once it has begun; that it should receive copies of the contracts signed by the Secretariat with commercial firms related to implementation of 986; that the State Oil Marketing Organization should be the beneficiary of letters of credit involving the sale of Iraqi oil; that all local staff currently employed by the United Nations in the three northern governorates should be dismissed and that names of new personnel should be cleared in advance by the Iraqi authorities. Furthermore, Iraq has insisted that prior approval of the pricing mechanism by the Committee established by resolution 661 (1990) was a condition for bringing resolution 986 (1995) into effect. It has also complained about what it perceives as lack of consultation by the Secretariat on the number of humanitarian observers who will be stationed in central and southern Iraq. These issues have been discussed in several meetings at Headquarters between senior officials of the Secretariat and a delegation led by the Permanent Representative of Iraq. The Security Council has been kept fully informed.

39. I am confident that, as a result of these meetings, the Government of Iraq has a thorough understanding of my position regarding the discharge by the Secretariat of its functions in accordance with resolution 986 (1995). One of the most fundamental aspects is the unrestricted freedom of movement of United Nations personnel, an area on which the Humanitarian Coordinator and his staff have recently encountered difficulty with regard to their travel inside Iraq. I expect the Iraqi authorities to abide by all their obligations under resolution 986 (1995) and the memorandum of understanding. The Government of Iraq has provided assurances in this regard through its Permanent Representative.

40. For resolution 986 (1995) to be implemented as it was intended, it will be necessary for several actors to work together, principally the Government of Iraq, the Secretariat and the Committee. Each has clear responsibilities under the resolution, which have been elaborated upon in the memorandum of understanding and the expedited procedures of the Committee. It is encouraging that the interaction between the State Oil Marketing Organization, the oil overseers, the oil inspection agents, and the Committee has thus far been businesslike and cooperative.

41. As indicated in paragraph 11 above, Iraq has expressed its intention to repair the Kirkuk-Yumurtalik pipeline metering systems. I hope that by early December Saybolt will be able to certify that the metering systems are up to acceptable standards, following which the 14 oil inspection agents will be deployed in Mina al-Bakr, Zakho and Ceyhan. In the meantime, the Lloyd's advance team will have completed its visit to Iraq, and arrangements will be made to dispatch an initial complement of goods inspection agents.

42. Preparations are under way within the Department of Humanitarian Affairs to send an advance team to Iraq for assessment of the Programme's requirements, including logistical and support arrangements, ahead of the arrival of additional international staff. Finalization of the observation and reporting mechanism is also under way, to make it possible to deploy observers on short notice. I trust that I can count on the Government of Iraq to make every effort to facilitate the work of the Programme as required by resolution 986 (1995) and the memorandum of understanding, including the expeditious issuance of visas, customs clearance of logistical equipment, such as vehicles and communications facilities, and provision of office space and accommodation.

43. In submitting this interim report, I have sought to bring the Security Council up to date on where matters now stand with respect to the implementation of resolution 986 (1995). I will submit to the Security Council as soon as possible the report requested of me in paragraph 13 of the resolution.

ANNEX I

Distribution plan submitted by the Government of Iraq to the Secretary-General of the United Nations in accordance with the memorandum of understanding of 20 May 1996

EXECUTIVE SUMMARY

1. The present Distribution Plan, referred to in paragraph 2 of the Memorandum of Understanding signed on 20 May 1996 between the Government of Iraq and the United Nations Secretariat, (hereinafter "the MOU"), for the purchase and distribution of food, medicine, medical supplies and other essential civilian humanitarian supplies to help alleviate the hardship suffered by the Iraqi people, constitutes an important element in the implementation of the United Nations Security Council resolution 986 (1995), (hereinafter "the Resolution.")

2. For the three northern Iraqi Governorates, namely Dihouk, Arbil and Suleimaniyeh, the procurement and distribution of humanitarian supplies will be the responsibility of the United Nations Inter-agency Humanitarian Programme, (hereinafter "the Programme",) in accordance with paragraph 20 of the MOU and paragraphs 3 and 6 of its Annex I. In accordance with paragraph 2 of Annex I of the MOU, the humanitarian requirements of the three northern Governorates in the Distribution Plan, (herein after "the Plan") were identified by the Programme, taking into consideration all relevant circumstances in the three northern Governorates and in the rest of the country, in order to ensure equitable distribution. These requirements were discussed with the Government of Iraq and incorporated in the Plan.

3. It is expected that a grand total of US$1,320 million will be available to address the humanitarian requirements of the Iraqi people for a period of six months. Of this amount, the Plan allocates US$805[1] million for food distribution. The food distribution programme will ensure a daily energy intake of 2,030 kcal and 47 gm of protein per person/day. Subject, where applicable, to the provisions of the MOU relating to the three northern Governorates, food distribution will be implemented within the existing rationing practice. In spite of the large volume of food commodities envisaged to be imported, only limited funds are allocated for storage and distribution of food, and for maintenance and repair of food processing equipment. Furthermore, about US$65 million worth of soap and detergents, included in the overall figure, will be purchased and distributed along with the food rations as per the current practice

[1] *Source unless stated otherwise is the Government of Iraq.*

in Iraq. In Dihouk, Arbil and Suleimaniyeh, the Programme will assist vulnerable children and mothers through a nutrition project budgeted at US$5 million.

4. Medicine and medical supplies will receive a total allocation of US$210 million. Subject to the provisions of the MOU relating to the three northern Governorates, these items will reach the actual beneficiaries through hospitals and primary health care centers in Iraq using the existing distribution system. It should be noted, in this respect, that all Iraqi citizens and foreign residents have access to the said public health services. In addition to the provision of life-saving drugs and medical supplies, essential equipment of urgent need will be procured and some damaged health infrastructure will be rehabilitated in the three northern Governorates at an estimated cost of US$10.4 million.

5. The condition of clean water supply and sanitation services remains critical all over Iraq. It is estimated that the rehabilitation of this sector requires US$510 million. However, due to the shortage of resources, this Plan allocates only US$44.2 million for this sector. Of the total, US$20.2 million will be utilized for the rehabilitation of water and sanitation facilities in the three northern Governorates. Another US$8.4 million is earmarked for the repair of water and sewage facilities in Baghdad serving about 6.5 million people in the city and the surrounding districts. The balance of US$15.6 million will be used to repair water and sanitation facilities in the rest of the Governorates .

6. The rehabilitation of electric power generation, transmission and distribution, which requires approximately US$368 million, is clearly beyond the scope of the Plan. For humanitarian purposes, however, the current Plan allocates US$49.17 million to maintain and repair electric power stations at Baiji, Nassiriyah, Baghdad, (south Baghdad and Daura), as well as Darbandikan and Dokan in Suleimaniyeh. Power transmission and distribution networks in the cities of Suleimaniyeh, Arbil and Dihouk will also be repaired.

7. A sum of US$44.15 million is allocated to address only the most urgent needs in the agriculture sector, in particular for plant protection, control of livestock diseases and provision of quality seeds for small farmers.

8. The education environment throughout Iraq is poor. This Plan makes a modest allocation of US$27.15 million to the education sector, of which US$15.15 is earmarked for the Governorates of Dihouk, Arbil and Suleimaniyeh. The allocation will be used to repair some of the damaged schools, provide basic stationery, desks, and other urgently needed school materials, especially for primary education.

9. Recognizing the special needs of the population in the three northern Governorates, a provision has been made in the present Plan for activities regarding demining, resettlement and energy supplies at an estimated total cost of US$24.6 million.

10. The humanitarian requirements for the whole population of Iraq are enormous due to the cumulative deterioration of living and environmental conditions during the past six years. The humanitarian situation in Iraq will be reviewed in accordance with paragraphs 4 and 11 of the Resolution to determine the equitability of distribution, as well as the adequacy of resources available.

11. The Government of Iraq confirms its willingness to cooperate fully with the Programme, and to allow the Programme to observe, throughout the country, the equitable distribution of humanitarian supplies imported under this Plan. To this end, United Nations personnel working for the Programme shall have, in connection with the performance of their functions, unrestricted freedom of movement and access in accordance with paragraph 44 of the MOU.

Table I

Estimated allocations to selected sectors covered within this Distribution Plan

Sector/Activity	*Estimated allocations in US$m (countrywide)	Estimated allocations for Dihouk, Arbil, Suleimaniyeh (US$m)
Food Soap/detergent Equipment/spare parts for food processing, logistics	804.63 65.38 36.00	113.33 9.20
Medicine/supplies	210.00	28.80
Nutrition	5.00	5.00
Health/repairs	10.40	10.40
Water and sanitation	44.20	20.20
Electricity	49.17	13.17
Agriculture	44.15	20.15
Education	27.15	15.15
Resettlement/relief to displaced persons (IDPs)	12.00	12.00
Mines-related activities	2.50	2.50
Energy	10.10	10.10
Total	1,320.68	** 260.00

* The estimated allocations by sector constitute indicative figures to give an order of magnitude of intended use of resources. The actual amounts will depend on market prices at the time of procurement.

** This amount may be increased to US$300 million depending on further assessment of uncovered needs in northern Iraq, and on direct implementation costs to be incurred by UN agencies.

Part One

Procurement and Distribution Plan for Food

Introduction

12. Following the UN Security Council Resolution 661 (1990) imposing sanctions on Iraq, the Government of Iraq established a special rationing system to ensure the distribution of foodstuffs to all Iraqi citizens, Arabs and foreigners residing in Iraq. The system was launched on 1 September 1990. It is presently applied throughout the country with the exception of the three northern Iraqi Governorates. In accordance with the MOU, the Programme will be responsible for the distribution of foodstuff to the population in the three northern Governorates on behalf of the Government of Iraq.

Main features of the system

13. The main partners of the current system are:

(i) The Ministry of Trade/Government of Iraq.

(ii) The Consumers (citizens of Iraq, Arabs and foreign residents).

(iii) Retail ration agents (private sector).

14. The responsibility of the Ministry of Trade is to undertake, on a monthly basis, the distribution of foodstuffs to the retail ration agents in their designated areas, and to ensure their delivery to the households registered with the concerned agent. There are more than 53.000 ration agents serving the local consumers. Furthermore, to ensure the adequacy, continuity and regularity of supplies of foodstuffs in conformity with the rationing cards, the related coupons are collected from the households monthly by the retail ration agents. Each rationing card has a number of coupons that correspond to basic food items involved in the system and covers one calendar year.

Annex 3/Food is a chart of the rationing card system currently in application for the distribution of foodstuffs.

15. Every Iraqi citizen, Arab and foreign resident in Iraq is entitled by law to obtain a "Rationing Card" from the Registration Centres. These centers establish lists of families by name, age and number of consumers in each household and send the lists to the computer center. The computer center sends one copy of each list to the nearest retail ration agent shop at the domicile of the concerned households, and another copy of the list to the food distribution centers.

16. The monthly individual ration under the current system is the same for each individual with regard to commodities, quantity and the related nominal fee. Households are well informed through public and private mass media, on a monthly basis, of their entitlements and on the time of distribution in various distribution centers.

17. The follow-up mechanism to ensure effective and proper implementation of the rationing system is done through:

(i) The concerned monitoring offices of the Ministry of Trade.

(ii) Elected District People's Councils, and

(iii) Citizens.

18. The beneficiaries of the system have the right to submit to the Ministry of Trade complaints against the retail ration agent in their designated areas if they discover that the agent is violating the relevant regulations. Accordingly, the Ministry of Trade circulates the enclosed questionnaire (Annex 1/Food) among all households registered with the said agent. If the findings show that 51% of the participating households in the process condemn the agent, his agency licence will be cancelled and a new retail agent will be immediately appointed.

19. Documents required to obtain a rationing card:

- Civil status identity card for Iraqis.
- Residence identity card and passport for non-Iraqis.
- Residence confirmation.

20. Mechanisms for obtaining the rationing card: The citizen approaches the rationing center in the area where the family lives, submitting the following:

- Civil status cards for Iraqis.
- Residence identity card and passport for non-Iraqis.
- Residence confirmation.

21. The family is directly issued with the rationing card.

22. Mechanisms for obtaining the rationing card for those who were not previously registered because of their return from abroad or not going to the rationing center in order to receive the rationing card:

- Calling at the rationing center in order to fill in a standard form relating to information about his family.
- Presenting the documents contained in the paragraph above.
- The application is checked and sent to the Ministry of Trade.
- The application together with the information contained in the standard form are checked with the documents presented in order to ensure the non-repetition of registration on the rationing card.
- Authority for the granting of the rationing card is issued by the headquarters of the Ministry of Trade with the object of controlling the registration centrally to ensure against double registration.

23. Complaints: The citizen can approach the following quarters in order to resolve a problem:

- The official in charge of the main Rationing Card Center in order to resolve his problem if he feels that his application is unduly delayed.
- The Ministry of Trade, if his problem is not resolved at the food supply center.
- Seeing the Minister of Trade if his problem is not resolved at the Ministry headquarters.
- Approaching an authority higher than the Ministry or writing to the local press.

Observation of Distribution

24. The role of the Programme in the context of the observation of the equitable distribution of humanitairan supplies and the determination of their adequacy under the Plan will be in accordance with paragraphs 37 and 38 of the MOU.

Distribution Plan of foodstuffs

25. The distribution of foodstuffs shall be undertaken by the competent Iraqi authorities. The present rationing system referred to in Part 1 of this document will be applied in distributing foodstuffs purchased with the proceeds of the sale of Iraqi petroleum and petroleum products.

26. In accordance with the MOU, the Programme identified the requirements in the three Iraqi northern Governorates, taking into consideration all relevant circumstances. These requirements were discussed with the Government of Iraq and incorporated in the Plan. The Programme has thus estimated such requirements covering a period of six months at 276,835 metric tons (MT) of foodstuffs and 10,513 MT of soaps and detergents for these Governorates, as well as 1,580 MT of food for 79,800 children under one year of age in a total population of 3 million beneficiaries.

27. The distribution of food in the three northern Governorates shall be undertaken by the Programme in accordance with paragraph 33 as well as Annex I of the MOU.

28. The Programme will distribute food in the three northern Governorates using local resources, including local administrative and other mechanisms. In this context, it is estimated that the Programme will use some 8,000 retail food agents.

Maintenance, repairs, rehabilitation and replacement of equipment required on a priority basis for the handling, storage, processing and distribution of food products.

29. The total quantity of food commodities alone to be brought in over the six-month period covered by the MOU is estimated at 2,216,622 metric tons, including 1.34 million metric tons of wheat grain which needs to be turned into wheat flour

before distribution. The state of the existing infrastructure will not be able to cope with
the processing, handling, storage and distribution of such a large quantity of food. A comprehensive list representing the priority items of equipment and spare parts that are needed for such an effort is contained in Annex 4/Food.

Purchase and storage arrangements

30. In order to implement the foregoing, the following will apply:

(i) Purchases of foodstuffs under the Plan will be carried out in accordance with the provisions of the MOU following normal commercial practice, and on the basis of procedures to be employed by the 661 Committee.

(ii) Upon approval of the Plan by the Secretary-General, the Programme and the Government of Iraq will hold discussions to enable the Programme to determine how the procurement of humanitarian supplies for the three northern Governorates can be undertaken most efficiently. These discussions will take into account the observations in paragraph 3 of Annex I of the MOU.

(iii) The Government of Iraq will contract directly with suppliers to arrange the purchase of supplies, and conclude the appropriate contractual arrangements. The procurement of humanitarian supplies for the three northern Governorates will be carried out in accordance with the relevant provisions of Annex I of the MOU.

(iv) All items purchased under the Plan will be transported to and stored in specially designated silos and warehouses. The Government of Iraq will keep the Programme informed of the locations of each such silo and warehouse.

(v) Imported grains (wheat and rice) will be delivered to grain silos and rice warehouses located throughout the country in accordance with the

details contained in paragraph (iv) above.

(vi) Other food items will be delivered to special stores within the warehouse complexes in accordance with paragraph (v) above.

(vii) Retail ration agents shall receive the monthly food quota for the population residing within their designated areas upon presentation of ration coupons as explained in Part One above against payment of a standard nominal fee as a contribution towards internal transportation, handling and distribution.

Locations of the independent inspection agents

31. As provided for in paragraph 26 of the MOU, independent inspection agents may be stationed at the relevant Iraqi entry points, customs areas or other locations, as designated by the Secretary-General after consultations with the Government of Iraq, for the performance of their functions as set out in paragraph 27 of Section (V) of the MOU.

Warehouses

32. Specially designated warehouses will be allocated for foodstuffs imported by the Government of Iraq under the Plan. The sites of these warehouses will be within the main storage complexes of the Ministry of Trade located throughout the Governorates of Iraq.

33. In accordance with paragraph 5 of Annex I of the MOU, humanitarian supplies destined for distribution in the three northern Governorates shall be delivered by the Programme to warehouses within these Governorates . Warehouses in Mosul and Kirkuk to which supplies may also be delivered either by the Government of Iraq or the Programme shall be under the management of the Programme.

Table II

Iraqi population* by Governorates to be covered by the Distribution Plan

Governorate	Population	Adults	Children under one
Nineveh	1957203	1909276	47927
Tameem	735640	721317	14323
Baghdad	5373106	5207985	165121
Salah Al-Din	819867	795122	24745
Diala	1048805	1032977	15828
Anbar	1023640	997134	26506
Babylon	1144547	1122559	21988
Kerbala	603257	588713	14544
Najaf	744068	716561	27507
Qadisiya	726595	708789	17806
Muthana	436021	421886	14135
Basrah	1581956	1541729	40227
Maysan	641612	616878	24734
Thi-Qar	1202048	1173559	28489
Wasit	758767	742647	16120
Arbil	1020000**	1020000**	(*)*
Dihouk	680000**	680000**	(*)*
Suleimaniyeh	1300000**	1300000**	(*)*
Grand Total	21,797,132	21,297,132	500,000

* Source: GOI as well as data available to the UN in the three Governorates.

** This number, which includes children, was provisionally retained for humanitarian goods distribution purposes only and may be subject to adjustments on the basis of further field demographic surveys.

TABLE III

Categorized List of Foodstuffs

Current distribution of foodstuffs via ration card in the fifteen Governorates, as of January 1996

Item	Monthly Ration per Capita (KG)	Total Quantity per Month (ton)*
Wheat Flour	7.000	143,000
Rice	1.250	23,000
Sugar	0.500	9,200
Tea	0.100	1,900
Cooking Oil	0.750	13,800
Infant Milk Powder**	1.800	500
Toilet Soap	0.150	2,800
Detergents	0.250	4,600

Source: Ministry of Trade.

* Calculated on the basis of the actual number of population as of January 1996.

** Distributed only to children under one year of age.

Table IV

Proposed consolidated Plan and categorized list of foodstuffs, soaps and detergents for distribution on a six-month basis

Item	Monthly Ration per capita (KG)	Total Monthly* Requirements (TON)	Total Requirements For 6 Months (TON)	Indicative Value*** For 6 Months (US$)
1 - Food				
Wheat Flour**	9,000	212,917	1,277,826	306,678,240
Rice	2,500	53,243	319,458	105,421,140
Sugar	2,000	42,594	255,564	115,003,800
Tea	0,150	3,194	19,164	32,291,340
Cooking Oil	1,000	21,297	127,782	111,170,340
Milk Powder	2,700	1,350	8,100	29,160,000
Pulses	1,000	21,297	127,782	1022,225,600
Iodized Salt	0,150	3,194	19,164	2,682,960
Subtotal				**804,633,420**
2 - Soaps and Detergents				
Toilet Soap	0,250	5,449	32,694	31,059,300
Detergents	0,350	7,628	45,768	34,326,000
Subtotal				65,385,300
			Total	870,018,720

* Quantities calculated on the basis of population figures listed in the tables below less children under one year of age who receive infant milk rations.

** The imported item is wheat to be processed and distributed to the consumers as wheat flour, the conversion ratio being 10 Kg of wheat to 9 Kg wheat flour.

*** The indicate total value of the items include both external and internal transport costs and are subject to usual market conditions and fluctuations.

Table V

The nutritive value of the proposed Plan per beneficiary will be as follows:

Commodity	Monthly Ration Kg/person/month	Daily Ration gm/person/day	Calories Content Kcal/person/day	Protein Content gm/person/day
Wheat Flour	9.00	300	1050	34
Rice	2.50	83	300	6
Sugar	2.00	67	267	0
Tea	0.15	5	0	0
Cooking Oil	1.00	33	300	0
Pulses	1.00	33	113	7
Iodized Salt	0.15	5	0	0
Total	15.80	526	2030	47

Milk Powder*	2.70	425

* For infants below one year.

Part Two

Procurement and Distribution Plan for Medicine and Medical Supplies

Introduction

34. In formulating its health policy, the Government of Iraq has followed the guidelines of the World Health Organization action programme on essential medicine.

- To make effective, safe and low cost medicine available and affordable to meet the needs of the entire population of Iraq.
- To ensure that medicines are of good quality and rationally used.

35. The Plan is formulated to meet the actual need for medicine, vaccines, medical supplies, equipment, insecticides, spare parts and other essential items within the framework of these policy objectives to ensure equitable distribution. Because of the current situation, the health facilities in Table VI below are faced with a severe shortage of these critically needed items and supplies. This health situation is seriously aggravated by the poor environmental quality, malnutrition and difficult socio-economic conditions.

36. Before August 1990, the health care system in Iraq was based on an extensive and developed network of primary, secondary and tertiary health care facilities. These facilities were linked among themselves and with the community by a large fleet of ambulances and service vehicles, and by a good communication network facilitating referral to the next level health care system.

37. It was estimated by the Government of Iraq that 97% and 78% of the urban and rural populations, respectively, had access to health care. Table 1 gives the distribution of the health infrastructure throughout the country. While the system tended to emphasize curative aspects, it was complemented by a set of public health activities that included malaria control, an expanded programme of immunizations, tuberculosis-control activities, etc.

38. Presently, there is an urgent need in Iraq for medical

equipment and supplies, including essential drugs, as well as for medical supplies and chemicals used in the control of insect-borne diseases that are endemic in Iraq. Supplies, such as X-ray machines, CAT scans, laboratory equipment, are in need of repair. It is estimated that only one quarter of the medical equipment available in health care facilities is still operational.

39. Regarding drugs and medical supplies, the situation is alarming. Patients are, at best, offered doses lower than what would normally be required by their health conditions. The production of the local pharmaceutical industry has come to a stand-still. In 1989, the Ministry of Health (MOH) spent over US$500 million for the purchase of drugs and medical supplies.

Table VI

Health Infrastructure in Iraq* 1996

Governorates	No. of hospitals	No. of health centres
Baghdad	34	137
Bashrah	10	69
Nineveh	12	114
Maysan	8	23
Qadisiya	6	45
Diala	8	58
Anbar	10	108
Babylon	8	76
Kerbala	5	22
Tameen	5	53
Wasit	5	32
Thi-Qar	7	63
Muthana	4	22
Salah Al-din	6	64
Najaf	5	18
Dihouk	5	69
Arbil	10	96
Suleimaniyeh	14	216
Total	162	1285*

* All Iraq citizens and foreign residents have access to the existing health infrastructure mentioned in this table.

40. It is imperative that the Plan should ensure the provision of good quality drugs at low cost that are affordable in meeting the needs of the entire population of Iraq. Vaccines, medical and surgical supplies, and dental and diagnostic equipment are other categories that require attention. The provision of insecticides, vector control equipment and the re-equipping or replacement of the fleet of ambulances for the transport of patients and medical supplies, and for ensuring liaison within the health network, is another priority that requires the urgent attention within the Plan. It should be stressed that the public health sector cannot be improved by the provision of medicine and medical supplies only. The provision of spare parts for the rehabilitation of hospital equipment and the supply of ambulances constitutes an essential and urgent requirement if the public health services are to be more effective in meeting some of the most urgent demands on public health care.

41. The health situation in the three Iraqi northern Governorates has continued to deteriorate over the past six years. Only 10% of more than 381 primary health care centres in the region are currently able to provide maternity/child health care services. There is a marked reduction in the availability of drugs and medical supplies. A similar shortage of essential equipment for diagnostic and curative purposes exists. Thus, the main components of the health plan for these Governorates include provision for basic essential drugs and the repair and maintenance of health infrastructures; spare parts for non-functioning hospital equipment are also included in the Plan, which allocates US$28.80 million for medicines and medical supplies and US$10.10 million for health infrastructure. Additionally, US$0.34 million are set aside for epidemiological surveillance.

Health Facilities in the three northern Governorates as of 31 May 1996

Governorate	Hospitals	Health Centres	Total
Dihouk	5	69	74
Arbil	10	96	106
Suleimaniyeh	14	216	230
Total	**29**	**381**	**410**

42. In accordance with the MOU, the Programme will be responsible in the three northern Governorates for the distribution of medical and health supplies. The Programme has ensured that its identification of needs in the health sector meets the essential requirements of these Governorates.

Components of the Plan

43. The components of the Plan are identified below:

(a) **Estimation of the needs:** In estimating the needs for medicine and medical supplies, the following criteria are taken into consideration;

(i) Population per Governorate.

(ii) Seasonal variation of diseases, such as measles in winter and diarrhea in summer.

(iii) Disease prevalence.

(iv) Health indicators; vaccination coverage, morbidity, mortality, prevalence of non-communicable diseases such as cardiovascular diseases, cancer, diabetes, liver and renal diseases.

(v) Incidents of infectious diseases; such as malaria in the north and bilharzia in the south.

(vi) Environmental health conditions; drinking water quality, sanitation, sewage, solid waste disposal, air pollution, etc.

(b) **Procedures for regulation and criteria for importation:**

(i) The drugs should be adopted by National Drugs Selection Committee.

(ii) The drugs have to be registered by Minister of Health - Department of Pharmacy through the Medicine Registration Committee, according to international requirements and standards.

(iii) The drugs should be from dependable manufacturers.

(iv) The imported drugs should be from fresh batches.

(v) The drugs should be transported in a good manner according to the drugs' specifications.

(vi) The drugs and pharmaceutical materials are imported in several regular shipments according to expiration date, shelf life and needs.

(vii) No drugs shall be released for use prior to the issuance of a national quality control certificate. On average, the necessary control takes about 10-15 days.

(viii) With regard to the three northern Governorates, the Programme will ensure that the required drugs meet the relevant standards.

(c) **Storage:** The medicine and medical supplies that meet the required standard will then be stored in distribution warehouses located in different Governorates throughout Iraq as follows:

(i) Warehouses No. 1, 2, 3, 4, 5, 6, 7 and 13 in Baghdad (for distributing medicine to health institutions in Baghdad, Anbar, Wasit and Diyala Governorates),

(ii) Warehouse No. 8 in Basrah (for distributing medicine to health institutions in Basrah, Thi-Qar and Misan Governorates),

(iii) Warehouse No. 9 in Mosul (for distributing medicine to health institutions in Ninevah and Dihouk Governorates),

(iv) Warehouse No. 10 in Kirkuk (for distributing medicine to health institutions in Ta'mim and Salah Al-Din Governorates),

(v) Warehouse No. 11 in Arbil (for distributing medicine to health institutions in Arbil and Suleimaniyeh Governorates), and warehouse No. 12 in Hilla (for distributing medicine to health institutions in Babil, Kerbala, Najaf, Qadisia and Muthanna Governorates).

(vi) All the warehouses mentioned above have enough storage capacity, are controlled by an efficient system according to international standards and have efficient expert manpower.

(vii) With regard to medicine and medical supplies for the three northern Governorates, these will be delivered by the Programme to appropriate locations within these Governorates. Warehouses in Mosul and Kirkuk to which medical supplies may be delivered either by the Government of Iraq or by the Programme will be managed by the Programme in accordance with paragraph 5 of Annex I of the MOU.

(d) Medicine supply policy in emergency situations

In emergency situations, such as outbreaks or epidemics, the affected Governorate will receive extra amounts of the required supplies according to the health situation.

(c) **Distribution system of medicine and medical supplies**

(i) The MOH has adopted a system in accordance with WHO standards as follows:

(a) The medicine is supplied to the patients through the Primary Health Care Centres and the hospitals in all Governorates .

(b) The MOH has adopted a distribution system (Medical Card) as shown in Annex I/Health for patients with chronic diseases who need medicine continuously on a monthly basis. This system provides the patients with medicine according to their needs through the Popular Clinics/MOH.

(ii) With regard to the three northern Governorates of Arbil, Dihouk and Suleimaniyeh, the Programme determines the procedure of estimating the needs, storage and distribution.

44. The list of first priority stated in the attached Annex II/Health for the whole country is urgently needed for the first three months. It includes the list of life-saving and essential medicines along with the requirement of vaccines and sera for protecting children and eligible groups of the community against infectious diseases according to the preventive medicine plan. These vaccines and sera are to be kept in special warehouses according to WHO recommendations and should be dispatched and delivered regularly; it is most desirable that they are shipped by air. The first priority also includes medical supplies to overcome the severe shortage of supplies for surgical operations and medical interventions (cat-guts, silk, disposable syringes, X-ray films, I.V. sets, blood bags, etc.). The list also includes the requirements of reagents for the diagnosis of diseases, insecticides and pesticides required for the control of endemic diseases such as malaria and bilharzia, the spare parts required to maintain medical equipment and elector-mechanical services and facilities in health institutions, and 100 ambulances to provide emergency medical care. The ambulances will be assigned to hospitals and health centres on the basis of one ambulance per 200,000 population as per details given in Table VIII/Health below.

45. The sum of US$300 million is required to meet the total

need for medicine and medical supplies throughout Iraq, during a six-month period. Under the present Plan, however, US$210 million have been allocated to meet only the urgent requirements and needs. To achieve an equitable distribution of medical supplies, the allocated funds will be distributed among Governorates on the basis of US$1.6 million per million persons, per month.

46. In accordance with paragraph 39 of the MOU, the Government of Iraq shall provide detailed information to the Programme regarding the delivery of supplies and equipment to specific destinations in order to facilitate observation and confirmation of their utilization. The Programme will also perform the functions provided for in paragraph 8 of Annex I of the MOU.

Table VII

Health: Distribution of Ambulances

GOVERNORATE	Number of Ambulances
Nineveh	7
Tameem	3
Baghdad	30
Salah Al-Din	4
Diala	4
Anbar	5
Babylon	4
Kerbala	3
Najaf	3
Qadisiya	3
Muthanna	3
Basrah	8
Maysan	4
Thi-Qar	4
Wasit	3
Dihouk	3
Arbil	4
Suleimaniyeh	5
TOTAL	**100**

Part Three

Procurement Plan for Water and Sewage

47. In view of the importance of potable water and sanitation for public health, the Government of Iraq has adopted a long-term programme to provide these services according to international scientific standards per capita. However, the implementation of this policy has been severely hampered by the lack of resources and equipment and the consequent disruption of services over the last six years. It is estimated that the rehabilitation of the existing facilities would require about US$510 million. This does not take into account the need to develop new water projects and facilities to meet the needs of the growing population. In order to address only the most urgent humanitarian needs in this sector, the Plan allocates a total of US$44.2 million, of which US$24 million is allocated for Baghdad and the 14 other Governorates and US$20.2 million for the three Northern Governorates.

48. The production of drinking water in the 14 Governorates amounts to 1400 million cubic metres per year. The design production of Baghdad amounts to 850 million cubic meters per year. However, the estimated efficiency of the existing facilities does not currently exceed 40% of their design capacity. The percentage of waste is estimated at more than 40% of the actually produced water. This shows the extent of the great paucity of potable water. The only help in these fields was the very small assistance rendered by humanitarian organizations over the last six years.

49. As regards sanitation, the design capacity for the 14 Governorates, except Baghdad, amounts to 153 million cubic meters per year, and the design capacity for Baghdad amounts to 680 million cubic meters per year. In addition, there are 256 pumping stations comprising more than 1,000 vertical and submerged pumps. Although the system requires complete renovation, the present Plan seeks to provide only the minimum requirements for maintaining and operating the system during the next six months. As per details given in the annexes, the estimated cost of minimum repairs amounts to about US$4 million per month including the sum of US$2.6 million per month for the 14 Governorates and about US$1.4 million per month for Baghdad which services the capital and the surrounding districts.

50. The status of the water and sanitation sector in the three northern Governorates remains critical as the water treatment plants are operating at about 60% of pre-1991 levels. Humanitarian assistance has helped only in preventing a total collapse of this sector and maintaining water supply services at minimum levels. Inputs from the Humanitarian Programme have assisted in averting outbreaks of major water-borne diseases and stopping a further deterioration in the quality of water.

51. In order to improve the water and sanitation services in the three northern Governorates, this Plan foresees the provision of equipment and supplies valued at about US$20.2 million.

52. Spare parts and equipment urgently required are described in the attached Annexes numbered 1-8/Water/Sanitation.

53. In accordance with paragraph 40 of the MOU, the Government of Iraq shall provide detailed information to the Programme regarding the delivery of supplies and equipment to specific destinations in order to facilitate observation and confirmation of their utilization. The Programme will also perform the functions provided for in paragraph 8 of Annex I of the MOU.

Part Four

Procurement Plan for Electrical Power

Introduction

54. The inadequacy of electricity due to the damage suffered by this vital sector and non-availability of spare parts and equipment has been a major problem in the whole country.

55. The shortage of electricity has resulted in a daily load shedding programme throughout Iraq, from Dihouk in the north to Basra in the south, which reached 850 MW in the month of January 1996. It is expected that the load shedding may reach 1200 MW in the summer of 1996. Annex 1/Electricity is a chart showing the installed capacity, the maximum available capacity, the peak load and the generation shortage during January 1996. Furthermore, due to the sudden breakdowns of some of the large generating units, the under frequency relays operate to save the system from total shutdown causing severe power cuts to all types of consumers, including hospitals, water plants, sewage plants, wheat milling plants, irrigation and pumping stations, schools and universities, in addition to complete residential areas and other services. It is estimated that the rehabilitation of the electricity sector requires about US$368 million. The purpose of this section is to address the minimum requirements in this sector in order to meet the essential humanitarian needs of all segments of the Iraqi population. To achieve this goal, the Plan allocates a total of US$49.17 million, of which US$36 million is allocated for Baghdad and the 14 other Governorates, and US$13.17 million for the three northern Governorates.

Basic Requirements

56. Basic needs to restore the electrical power requirements of a civilian nature are identified within the Plan and an allocation of US$36 million has been made for 15 Governorates as per details in the attached Annexes numbered 2-6/Electricity.

57. Annexes 2/Electricity and 4/Electricity show the total amounts needed to maintain and rehabilitate the existing electrical power system. The total sum of the two Annexes amounts to US$368 million. This amount would enable the complete rehabilitation of the system and make available the necessary

reserve (both hot and cold) which is normally required in electrical power systems all over the world, as well as to increase the reliability and dependability of the power system for humanitarian use, particularly for hospitals, water treatment plants, sewage plants, irrigation, and wheat milling plants, as well as to provide reliable electricity for dwellings, schools, institutes and universities.

58. However, due to the extreme shortage of funds for the supplies of essential civilian needs, the maintenance and essential repairs under this Plan will only include thermal power stations in the central and southern regions as well as the repair of some of the transmission and distribution networks in various parts of Iraq. The amounts required for this rehabilitation are shown in Annex 2/Electricity, totalling a sum of US$36 million.

59. Annex 3/Electricity includes a categorized list of the spare parts for the four thermal power stations - Baiji, Nassiriya, Baghdad [south Baghdad and Daura], and the transmission and distribution networks.

60. Annex 5/Electricity includes a list of spare parts for the other power stations for which no funding has been provided in the Plan. The purchase of these spare parts will result in raising the dependable capacity of the system to about 7000 MW and thereby providing a reserve capacity of about 25% of the expected demand to cover sudden outages in accordance with international practice.

61. Shortage of electricity has been a major problem in the three northern Governorates due, *inter alia*, to the non-availability of power supplies from the national grid starting in September 1992. Lack of conductors, transformers, circuit breakers at substations and spare parts for distribution of electricity in Suleimaniyeh and Arbil have posed further problems. Another major cause has been the low water levels at the Dokan and Darbandikan hydro power stations which provide Suleimaniyeh and Arbil Governorates with electricity.

62. Annex 6/Electricity shows the urgent needs reported by the Programme for Dihouk, Arbil and Suleimaniyeh.

63. To this end, a sum of US$13.17 million has been allocated for the three northern Governorates for projects in this sector,

which will be implemented by the Programme.

64. In accordance with paragraph 41 of the MOU, the Government of Iraq shall provide detailed information to the Programme regarding the delivery of supplies and equipment to specific locations to facilitate observation and confirmation of their utilization. The Programme will also perform the functions provided for in paragraph 8 of Annex I of the MOU.

Part Five

Procurement and Distribution Plan for Agriculture

Introduction

65. Local food production and productivity have drastically deteriorated during the last years as a result of the adoption of horizontal expansion because of the absence of basic inputs needed for the vertical expansion. Consequently, plant pests and diseases were widespread. This has been compounded by the shortage of pesticides, herbicides and a number of operating spraying helicopters. Similar deterioration has been manifested in the field of animal production due to the shortage in animal vaccines, drugs and veterinary treatment and diagnostic instruments.

66. The Government of Iraq is paying the utmost attention to the agriculture sector in order to raise the level of food production, as under prevailing conditions the country has to rely heavily on domestic production to meet local demands. However, despite measures taken by the government and various UN agencies, mainly FAO, to boost production in the agriculture sector, the output remains seriously constrained as a result of the inadequate supply of essential inputs.

67. The agriculture sector needs to undertake several aerial and ground campaigns to control main crop pests on cereals, date palms, cotton, sunflower and vegetables. The reduction in pest infestations can play a major role by increasing food production and to decrease losses caused by pests.

68. In the animal production sector most of the diseases have been reported during the sanction years characterized by the shortage of basic medicines and vaccines as well as veterinary equipment. This has dramatically reduced the capacity of veterinary services to combat and control the outbreak of diseases.

69. In addition, all agricultural sectors in Iraq are highly mechanized; however, large numbers of machinery are either out of operation or are operating inefficiently due to lack of spare parts. This has negatively affected crop production and soil preparation. The result has been increasing harvest losses as well

as a reduction of irrigated areas.

Basic Strategy and Requirements

70. The basic strategy of the present Plan is to maintain the current level of agricultural production through securing the plant, animal protection and preventive requirements. Priority needs such as pesticides, herbicides, aerial spraying and veterinary requirements are considered, but not fully addressed in view of limited funds. The proposed requirements correspond to the minimum requirements to respond to the needs of small farmers throughout the country in order to prevent further deterioration leading to the collapse of the sector.

71. For this purpose, the Plan provides US$44.15 million for the agriculture sector. Out of this amount, US$20.15 million is allocated for the three northern Governorates of Dihouk, Arbil, and Suleimaniyeh, and US$24 million for the remaining Governorates of Iraq. The principal components of the Plan are pesticides and spraying equipment, agricultural machinery, irrigation pumps and spare parts as well as veterinary supplies.

(a) Pesticides and spraying equipment: Pesticide requirements have been estimated on the basis of the level of infestation of major plant pests which constitute a real threat to the cereals, vegetables, orchards, date palm and bee production. Special emphasis has been put on those diseases and pests which are of epidemic nature.

Spare parts for spraying helicopters and ground spraying equipment have been estimated on the basis of the minimum requirement for carrying out plant protection interventions at 25% of its original operational capacity. See Annex I/Agriculture.

(b) Agricultural machinery, irrigation pumps and spare parts: A significant number of agricultural machines remains non-operational. Those machines that work operate inefficiently. Such machinery includes tractors, combine harvesters and irrigation pumps. Based on data available at agricultural departments in each of the 15 Governorates, a list of minimum needed spare parts has been developed. The number of requested new machinery and pumps represents 25% of the actual urgent need in regard to the irrigation pumps, while the requested number of tractors represents less than 3.5% of the actual need

for heavy tractors. See Annex II/Agriculture.

(c) Veterinary supplies: This includes veterinary vaccines, drugs for treatment and diagnostic equipment. The need has been estimated on the basis of the number of animals, level of prevalence of zoonotic and epidemic diseases, prevalence of internal and external parasites and the deterioration of veterinary services. See Annex III/Agriculture.

72. In each of the three sectors identified above, the following paragraphs explain the methodology utilized for estimating Governorates' needs and allocation.

(a) Aerial spraying and ground spraying requirements: Aerial spraying services are available for the 15 Governorates. Depending on the seasonal requirement as well as crop locations, the aerial activities are scheduled as follows: during the winter cropping season, the northern and central Governorates receive a number of spraying devices for weed control and sunn-pest control, while in the southern parts of the country, aerial spraying services are rendered to the farmers for the control of date, palm and sugar cane during the summer. Also in the central and southern Governorates, control of rice and maize pest and diseases are carried out by aerial spraying.

Ground spraying equipment will be distributed on the basis of available agricultural and orchard land in each Governorate and it will be at the disposal of small farmers. See Annex IV/Agriculture.

Bee-keeping inputs will be distributed in accordance with the existing level of such activities as well as developing bee-keeping activities in favour of small farmers.

(b) Agricultural machinery and equipment: The Ministry, through its various departments in the Governorates, has lists of tractors and combine harvester owners in each of the 15 Governorates. The State Agricultural Supplies Company has branches in all the 15 Governorates and used to supply the needed spare parts based on special criteria which take into consideration the actual number of non-operating, inefficient and operating equipment, total agricultural areas, and status of previous supply. Based on this information, the Ministry allocated a share for each Governorate.

Irrigation pumps will be distributed to a large extent in the southern Governorates where there is great need for them. A reasonable number will also be distributed in the central Governorates. See Annex V/Agriculture.

(c) Veterinary supplies: The veterinary supplies will be allocated to the 15 Governorates on the basis of animal population and operating poultry facilities. See Annex VI/Agriculture.

73. Procurement procedures (regulation and criteria for distribution): Procurement of agricultural machinery, ground spraying equipment, bee-keeping supplies, veterinary drugs and equipment will be purchased through the government procedures in accordance with the MOU. Spare parts for spraying helicopters, some of the pesticides, herbicides and animal vaccines may be purchased by FAO and kept under its supervision as required by the 661 Committee in previous years.

74. Distribution and storage: The Ministry of Agriculture and its departments as well as the Agricultural Supplies Company possess a network of central warehouses in Baghdad and warehouses in all the 15 Governorates. The inputs will be received at the central warehouses and after that be allocated to the Governorate warehouses.

At the district and sub-district level, the inputs will be stored and distributed through the agricultural administration unit available in all the 15 Governorates .

75. As regards the three northern Governorates, Dihouk, Arbil and Suleimaniyeh, the requirements for agricultural equipment and machines are to cover 3.2 million hectares of arable lands. The local estimates point out that the area cultivated with wheat has been increased from 474,000 hectares to 563,000 hectares for the years 1993 and 1995 respectively. As a result of growing demand for food commodities, an increase in the areas cultivated with food crops has been noticed during the last three years.

76. The procurement and distribution of agricultural equipment and supplies for Dihouk, Arbil and Suleimaniyeh will be carried out by the Programme in accordance with the MOU. The Plan aims at providing the most essential requirements for farmers, taking into account resource constraints as well as the availability

of food. Accordingly, seven projects for (a) plant protection, (b) veterinary services, (c) provision of spare parts, (d) provision of agricultural equipment, (e) supply of seeds, (f) backyard poultry production and (g) irrigation pumps are included in the Plan for a total cost of US$20.15 million as explained in the table below:

Agriculture: A Summary

PROJECT TITLE	REQUIREMENT IN USD
Provision of Agrochemicals	10,529,150
Veterinary Services	1,039,000
Provision of Quality Vegetable and Seeds	2,316,000
Agricultural Equipment	1,746,655
Backyard Poultry	997,115
Provision of Irrigation Pumps	963,900
Spare Parts for Agricultural Equipment	1,121,560
Direct Implementation and Evaluation Costs	1,436,620
TOTAL	**20,150,000**

77. Details on areas to receive plant protection materials, vaccines and equipment for the fifteen Governorates are given in Annexes VI-VI/Agriculture. Details regarding Dihouk, Arbil and Suleimaniyeh are shown in Annex VII/Agriculture (which includes Annexes 1-12).

78. In accordance with paragraph 41 of the MOU, the Government of Iraq shall provide detailed information to the Programme regarding the delivery of supplies and equipment to specific destinations in order to facilitate observation and confirmation of their utilization. The Programme will also perform the functions provided for in paragraph 8 of Annex I of the MOU.

Part Six

Procurement and Distribution Plan for Education

79. The primary, secondary and tertiary levels of education in Iraq have been affected by severe shortages of the most basic teaching materials, school furniture, textbooks, stationery and other basic requirements needed in the education sector. The magnitude of requirements in the education sector is illustrated by the size of the student population estimated at a total of 4.8 million in approximately 14,000 kindergartens, primary, intermediate and secondary schools as well as vocational schools. Damaged classrooms remained unrepaired, and in many instances classrooms have no doors and windows. A large number of schools remain without a clean water supply and sanitation facilities. Many pupils and students can not be accommodated in classrooms where chairs and benches are often unavailable.

80. The prevailing situation has resulted in a decreased rate of school enrollment and a substantial increase in the rate of school dropouts, especially at the primary and secondary levels. Lack of basic teaching aids and materials has also affected the quality of education in the country. While the overall requirements for the immediate basic needs in the education sector throughout the country are estimated at $130 million, excluding higher education, the present Plan allocates only $27.15 million for the basic educational needs up to the secondary level.

81. The present Plan has allocated US$12 million to this sector for a period of six months. The priority will be for the primary and basic educational needs.

82. While it is acknowledged that primary education should, and does, receive higher attention from the government, higher education at secondary and university levels cannot be neglected without creating long term shortages of qualified manpower which is vital for the country. For this reason, the government strongly believes that education materials, not available in the country, such as reference books, laboratory equipment and supplies, need to be supplied within this Plan. However, because of limited funds, these items are not covered in the present Plan. It should be noted in this regard that, in preparing the list of requirements, higher emphasis was

placed on education items for health-related education with a view to improving the training of health personnel which is essential for public health care.

The list of basic requirements is organized in Annexes as follows:

Annex 1/Education includes a table indicating the number of schools and pupil/students up to the secondary level and vocational institutes, and list of priority projects that can be covered with funds available under this Plan.

83. The educational infrastructure in the three northern Governorates has suffered extensive damage. In addition, there is a severe shortage of basic educational material including books. During the past five years, the number of school dropouts has increased sharply as families have little or no capacity to purchase school supplies. The Plan intends to use US$15.15 million for 37,000 desks, urgently needed textbooks and repair of 100 severely damaged schools in the northern Governorates of Dihouk, Arbil and Suleimaniyeh. The education programme in these Governorates focuses on assistance to 530,000 primary school children.

Annex 2/Education lists the priority requirements, mainly for primary education, in the three Governorates of Dihouk, Arbil and Suleimaniyeh.

84. In accordance with paragraph 41 of the MOU, the Government Of Iraq shall provide detailed information to the Programme regarding the delivery of supplies and equipment to specific destinations in order to facilitate observation and confirmation of their utilization. The Programme will also perform the functions provided for in paragraph 8 of Annex I of the MOU.

Annex II

Letter dated 18 July 1996 from the Under-Secretary-General and Special Adviser to the Secretary-General addressed to the Head of the delegation of Iraq

On behalf of the Secretary-General, I wish to acknowledge receipt of the distribution plan and would like to inform you that I have been authorized by the Secretary-General to convey in this respect the following.

Security Council resolution 986 (1995) requires that Iraq shall guarantee, on the basis of a plan submitted and approved by the Secretary-General, equitable distribution of medicine, health supplies, foodstuffs and materials and supplies for essential civilian needs (humanitarian supplies) exported to Iraq under the conditions defined by that resolution. The memorandum of understanding concluded on 20 May 1996 between the United Nations Secretariat and the Government of Iraq for the implementation of that resolution provides that the Government of Iraq shall prepare a distribution plan describing in detail the procedures to be followed by the competent Iraqi authorities with a view to ensuring equitable distribution of humanitarian supplies and submit that plan to the Secretary-General for approval. The memorandum states in this regard that if the Secretary-General is satisfied that the plan adequately ensures equitable distribution of humanitarian supplies to the Iraqi population throughout the country, he will so inform the Government of Iraq.

I have the honour to inform the Government of Iraq through you that, having examined the distribution plan as finally submitted by you on 15 July 1996, the Secretary-General has come to the conclusion that the plan, if properly implemented, should meet the requirement of equitable distribution of humanitarian goods to the Iraqi population throughout the country. The distribution plan is, therefore, approved with the following remarks.

The approval of the distribution plan is subject to the condition that its implementation is governed by the relevant provisions of Security Council resolution 986 (1995) and the memorandum of understanding, and that, in case of inconsistency between the particular provisions of the plan (on the one hand) and the resolution and the memorandum of understanding (on the other), the provisions of the two latter documents shall prevail.

The approval of the distribution plan is also without prejudice to the procedures to be employed by the Security Council Committee established by resolution 661 (1990) concerning export to Iraq of humanitarian supplies and parts and equipment that are essential for the safe operation of the Kirkuk-Yumurtalik pipeline system in Iraq.

The distribution plan includes a categorized list of supplies and goods to be purchased and imported under the plan. The approval of the plan is without prejudice to actions that might be taken by the Committee established by resolution 661 (1990) regarding applications for export of particular items contained on the list submitted for the Committee's consideration in accordance with its procedures.

Likewise the categorized list contains certain items the export of which to Iraq must be notified to the joint unit established by Security Council resolution 1051 (1996) as these items will be subject to monitoring because of their possible dual use for civilian or for prohibited purposes under Security Council resolution 687 (1991) and other relevant resolutions.

(Signed) Chinmaya R. GHAREKHAN
Under-Secretary-General
Senior Adviser to the Secretary-General

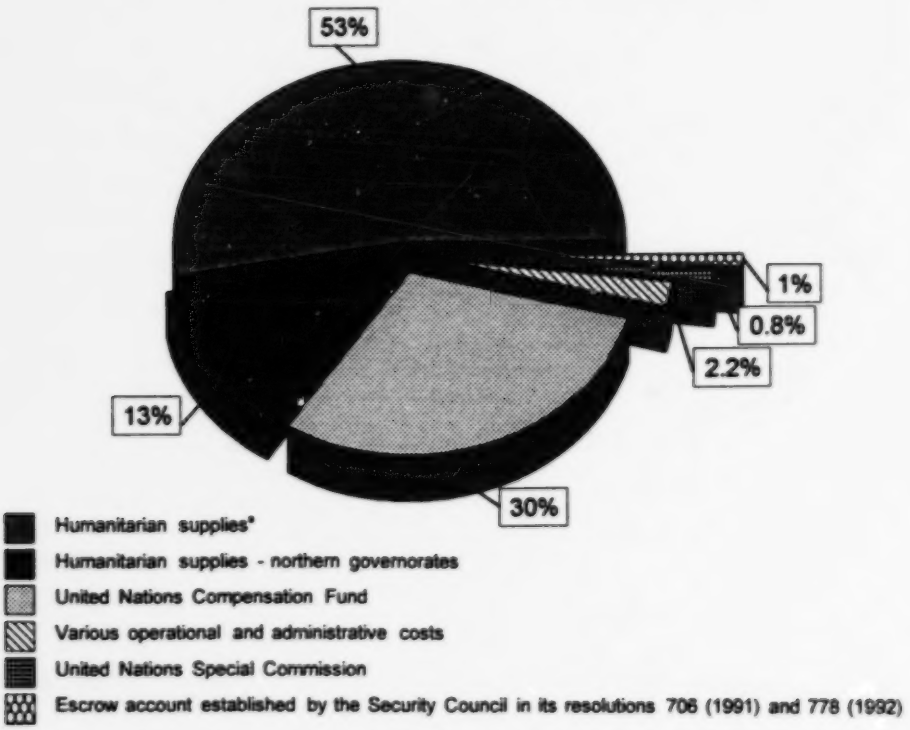
Annex III

A. Dollar allocation from oil proceeds

	(Millions of United States dollars)
Humanitarian supplies*	1 060.7
Humanitarian supplies - northern governorates	260.0
United Nations Compensation Fund	600.0
Various operational and administrative costs	44.3
United Nations Special Commission	15.0
Escrow account established by the Security Council in its resolutions 706 (1991) and 778 (1992)	20.0
Total	2 000.0

* Will include amounts related to paragraph 8 (f) of Security Council resolution 986 (1995) approved by the Committee established by resolution 661 (1990).

B. Percentage allocation from oil proceeds



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* Will include amounts related to paragraph 8 (f) of Security Council resolution 986 (1995) approved by the Committee established by resolution 661 (1990).